

FORM
N-320
(REV. 2003)

INDIVIDUAL DEVELOPMENT ACCOUNT CONTRIBUTION TAX CREDIT

TAX
YEAR

20__ __

Or fiscal year beginning _____, 20____, and ending _____, 20____

ATTACH TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP, WHICHEVER IS APPLICABLE.

Name(s) as shown on Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, or N-70NP

SSN or FEIN

Part I CONTRIBUTOR'S INFORMATION (Completed by Fiduciary Organization)

1. Name

2. SSN/FEIN

3. Address (Number and street, including apartment number or rural route, city, state, and zip code)

4. Amount of matching contribution

5. Date matching contribution made

\$

FOR DEPARTMENT OF HUMAN SERVICES USE ONLY

This is to certify that the entity indicated above has contributed matching funds in accordance with Act 184, Session Laws of Hawaii 2000.

Signature of Certifying Officer

Date of Certification

(Type or Print Name and Title)

Part II COMPUTATION OF TAX CREDIT (Completed by Taxpayer)

Note: If you are only claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate, or a trust, skip lines 1 through 4 and begin on line 5.

1 Enter the certified amount from above (see instructions)

1

2 Was any portion of the amount on line 1 deducted as a charitable contribution on your tax return?

☐ Yes ☐ No

If Yes, enter the amount of line 1 deducted as a charitable contribution

2

3 Subtract line 2 from line 1 and enter result here

3

4 Multiply line 3 by 50% (.50) and enter result here

4

5 Flow through of Hawaii individual development account contribution tax credit received from other entities, if any: **Check box below.**

Enter Name and Federal Employer I.D. No. of Entity:

☐ **a** Partner — enter amount from Schedule K-1 (Form N-20), line 23

☐ **b** S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12k

☐ **c** Beneficiary — enter amount from Schedule K-1 (Form N-40), line 10

☐ **d** Patron — enter the amount from federal Form 1099-PATR

5

6 Carryover of unused individual development account contribution tax credit from prior year

6

7 **Total eligible tax credit.** Add lines 4 through 6, and enter the total here. Enter this amount, rounded to the nearest dollar for individual taxpayers, on the appropriate line for the credit on Schedule CR (for Form N-11, N-12, N-15, N-30, and N-70NP filers), Form N-20 Schedule K, Form N-35 Schedule K, and Form N-40, Schedule E, whichever is applicable

7

8 Carryover of unused credit. See Instructions. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted.

8

GENERAL INSTRUCTIONS

Pursuant to section 235-5.6, Hawaii Revised Statutes, a taxpayer who contributes to an individual development account matching fund may be able to claim a nonrefundable individual development account contribution tax credit against the taxpayer's net income tax liability. This credit is available for taxable years beginning after December 31, 1999, and unavailable for taxable years beginning after December 31, 2004. All claims for the tax credit must be filed on or before the end of the 12th month following the close of the taxable year for which the tax credit may be claimed. An extension of time for filing a return does not extend the time for claiming the tax credit. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

How to use this form. If you are contributing to a matching fund, the fiduciary organization that you are making the contribution to will complete Part I of the form for you. Your form will be forwarded to the Department of Human Services for certification and then returned to you. When filing your tax return, complete Part II of your certified form to claim the tax credit. Be sure to enter your name as shown on your tax return above Part I of the form.

Note: *In the case of an S corporation, partnership, estate and trust, the tax credit is determined at the entity level for the taxable year. If you are claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate or trust, Part I of the form will not be completed.*

Definitions of Certain Terms Used in Chapter 257, Hawaii Revised Statutes (HRS)

"Eligible individuals" (a) The income of the household of the individual development account holder shall not exceed eighty per cent of the area household median income. (b) The individual shall enter into an individual development account agreement with a fiduciary organization.

"Fiduciary organization" means an organization that serves as an intermediary between an individual account holder and the financial institution holding the individual's individual development account funds. Fiduciary organizations may include: (1) One or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Code; or (2) State or local government agencies submitting an application jointly with another organization.

"Individual development account" means an optional, interest bearing, subsidized, tax-benefitted account used exclusively for the purpose of paying the qualified expenditure of an eligible individual as determined by the fiduciary organization.

"Post-secondary educational expenses" means: (1) Tuition and fees required for the enrollment or attendance of a student at an eligible educational institution; and (2) Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

"Qualified acquisition costs" means the costs of acquiring, constructing, or reconstructing a residence and shall include any usual or reasonable settlement, financing, or other closing costs.

"Qualified business" means any business that does not contravene any law or public policy.

"Qualified business capitalization expenses" means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

"Qualified expenditures" means an expense as determined by a fiduciary organization, which may include but not be limited to: (1) Costs associated with first home-ownership; (2) Post-secondary education; (3) Vocational training; and (4) Small or micro-business capitalization.

"Qualified plan" means a business plan or a plan to use a business asset purchased, that: (1) Is approved by a financial institution, a micro-enterprise development organization, or a nonprofit loan fund

having demonstrated fiduciary integrity; (2) Includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and (3) May require the eligible individual to obtain the assistance of an experienced entrepreneurial advisor.

"Qualified principal residence" means a principal residence (within the meaning of section 1034 of the Internal Revenue Code of 1986), the qualified acquisition costs of which do not exceed one hundred per cent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e) of the Code).

How to Obtain Tax Forms

To request tax forms by fax or mail, you may call 808-587-7572 or toll-free at 1-800-222-7572.

Tax forms are also available on the Internet. The Department of Taxation's site on the Internet is:

www.state.hi.us/tax

SPECIFIC INSTRUCTIONS

Enter the name(s) shown on your return. If filing a joint return, enter the social security number of the person whose name is shown first on the return.

PART I

Lines 1 through 5 will be completed by the fiduciary organization when you make your matching contribution. The certification of your matching contribution will be completed by the Department of Human Services.

PART II

Complete Part II to claim the credit. In order to claim the credit, Part I of the form must be completed, unless you are claiming your distributive share of the credit distributed from a partnership, an S corporation, an estate, or a trust.

Note: *If you are only claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate, or a trust, skip lines 1 through 4 and begin on line 5.*

Line 1—Enter the amount of the certified matching contribution listed in Part I of the form. If you made more than one certified matching contribution add the total matching contributions from Part I of all Forms N-320 and enter the total on one of the Form N-320 to claim the total credit. Be sure to attach all Forms N-320.

Note: *All matching contributions must be certified by the Department of Human Services.*

Line 2—If you took a deduction under section 170 (with respect to charitable contributions and gifts) of the Internal Revenue Code, enter the amount of the contribution taken as a deduction.

Line 3—Subtract line 2 from line 1. Enter the result here.

Line 4—Multiply line 3 by 50% (.50). Enter the result here.

Line 5—Enter the name and federal employer identification number of any flow-through entity who has passed the individual development account contribution tax credit through to the taxpayer. If additional space is needed, include the information on an attached schedule.

Line 6—Enter the carryover of unused individual development account contribution tax credits from the prior year.

Line 7—Add lines 4 through 6. This is your eligible individual development account contribution tax credit.

Line 8—The tax credit shall be claimed against your net income tax liability for the taxable year in which the matching contribution is made. The amount of the credit which exceeds your tax liability may be carried over to subsequent years until exhausted.